

PATENT APPLICATION

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the application of:

John McGregor et al.

Attorney Docket No.: C330.101.101

Application No.: 10/623,277

Examiner: *Unknown*

Filed: July 18, 2003

Group Art Unit: *Unknown*

For: Method for Financing Infrastructure or Building Initiatives

SUBMISSION OF PRIORITY DOCUMENT

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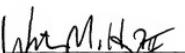
Sir:

Applicant claims priority under 35 U.S.C. §119 to British Patent Application No. GB 0315689.0, filed July 4, 2003. A certified copy of the priority document is enclosed.

It is requested that the file of this application be marked to indicate that the requirements of 35 U.S.C. §119 have been fulfilled, and that the Patent and Trademark Office kindly acknowledge receipt of this document.

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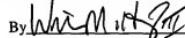
Respectfully submitted,


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Please grant any extension of time necessary for entry; charge any fee due to Deposit Account No. 500471.

CERTIFICATE UNDER 37 C.F.R. 1.8:

The undersigned hereby certifies that this paper or papers, as described herein, are being deposited in the United States Postal Service, as first class mail with sufficient postage, in an envelope addressed to Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450 on this 10th day of September, 2003.


By 
Name: William M. Hierz III



INVESTOR IN PEOPLE

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Signed
Dated 2 September 2003

- 4 JUL 2003

05 JUL 03 E820219-2 000239
P01/7700 0100-0315689.0**Request for grant of a patent**

(See the notes on the back of this form. You can also get an explanatory leaflet from the Patent Office to help you fill in this form)

The Patent Office
 Cardiff Road
Newport
South Wales
NP10 8QQ

1. Your reference

MK/JMP/P12785GB

2. Patent application number

(The Patent Office will fill in this part)

04 JUN 2003

0315689.0

3. Full name, address and postcode of the or of each applicant (*underline all surnames*)

08668402001

Patents ADP number (*if you know it*)

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United Kingdom

If the applicant is a corporate body, give the country/state of its incorporation

4. Title of the invention

METHOD FOR FINANCING TRANSPORT INITIATIVES

5. Name of your agent (*if you have one*)

Cruikshank & Fairweather

 "Address for service" in the United Kingdom to which all correspondence should be sent
(including the postcode)

 19 Royal Exchange Square
Glasgow G1 3AE
United Kingdom
Patents ADP number (*if you know it*)

574002

6. If you are declaring priority from one or more earlier patent applications, give the country and the date of filing of the or of each of these earlier applications and (*if you know it*) the or each application number

Country

Priority application number
(*if you know it*)Date of filing
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7. If this application is divided or otherwise derived from an earlier UK application, give the number and the filing date of the earlier application

Number of earlier application

Date of filing
(day / month / year)

8. Is a statement of inventorship and of right to grant of a patent required in support of this request? (Answer 'Yes' if:

Yes

- a) any applicant named in part 3 is not an inventor, or
 - b) there is an inventor who is not named as an applicant, or
 - c) any named applicant is a corporate body.
- See note (d)*

METHOD FOR FINANCING TRANSPORT INITIATIVES

The present invention relates to a method for financing infrastructure or building initiatives, and in particular transport initiatives, such as rail, bus, guided bus, tram and road links.

Transport creates wealth, and this wealth can be measured. For example, it is estimated that the Jubilee Line Extension in London added about £13 billion in value to property along the extended part of the line. In Washington DC, the new Metro is estimated to have generated about \$10-15 billion. A study in Boston suggested that transport caused an up-lift in property value, which expressed as a percentage of land or property value without the transport facility represented an increase of 7%. A similar study in Philadelphia suggested that the premium there was 4-10%.

Whilst the wealth that is created by transport is well documented and can be quantified, in general it can only be realised when the transport link is in place, or nearly so. Because of this the benefit of the land value uplift is difficult for the public sector to capture. A further problem is the independence of the Local Authority planning process, the need for transparency and for Councils to be seen not to be buying gains through giving beneficial planning consents. Capturing the land up-lift can also be difficult for the private sector

because of confidentiality issues between the public sector and landowners/developers.

According to one aspect of the present invention, there is provided a method for funding infrastructure or building initiatives, for example transport initiatives, the method comprising collecting payments from parties who stand to financially benefit from the initiative, for example property developers and landowners, and using this to fund the initiative.

By collecting or receiving funds from parties such as landowners or property developers, transport or other beneficial infrastructure initiatives that might otherwise not be provided through lack of financial resources can be properly and effectively financed without an undue burden on the public purse. This has the dual advantage of helping the public sector provide transport infrastructure, which is of significant benefit to the public, whilst allowing the private sector the potential to capture the financial advantage that will inevitably be created by the transport initiative.

Preferably, the method involves assessing a measure of the increase in property value that is likely to be created by the provision of the transport link.

The method further involves assessing parties that may be interested in providing funds and entering confidential negotiations with those parties.

The method may involve landowners and/or property
5 developers applying for or receiving planning permission to build or re-build property in the property up-lift area. The property up-lift area may be a pre-defined or designated area in the vicinity of the proposed new transport link. Preferably, the step of collecting money
10 is done after planning permission is granted.

Various aspects of the invention will now be described by way of example only and with reference to the accompanying drawings, of which:

Figure 1 is a flow diagram of a first stage of the
15 methodology, and

Figure 2 is a flow diagram of a second stage of the methodology.

The method in which the invention is embodied provides funding for transport or other infrastructure
20 initiatives using an estimate of an increase in property values in the regions where the new initiatives are to be provided and/or savings gained by the provision of these new services. Several parties are involved in the method of the invention. Firstly, there is the party that
25 wishes to provide the proposed new infrastructure, for

example a transport link. Typically this is a Local Government authority or transport operator. Also involved are landowners or property developers who may be interested in building along the route of the new transport link to take advantage of the property value up-lift or who may already have property along that route. To act as a go-between for these parties, there is also an Agent.

The methodology works in two stages. The steps taken in the first stage are shown in Figure 1. Firstly, an initial report is prepared to test the feasibility of the methodology and quantify the potential level of land uplift capture. This stage is done by the Agent. In the UK, this would be done on a fixed fee basis. In the UK, the fixed fee would usually be set out at a level that is less than that at which a Local Authority would require to put the work out to tender. This report includes a property assessment of the potential developments and a quantification of the land uplift capture. This quantification is a range based on the probability of securing planning consent. This stage also includes meetings with key Local Authority personnel and other probable stakeholders that might include railway companies, track owners and others involved in transportation and planning issues. The report also

includes details of proposed techniques for procuring and delivering the methodology and an assessment of the land/property value uplift and/or any savings delivered by the initiative, thereby to provide funding for the
5 initiative.

Various methods may be used to assess the up-lift value and the amount that could be contributed by the developers/land owners. For residential housing units that are near the proposed new transport facilities, the
10 variables are the number of units, the price of each unit and the term of the agreement. As a specific example, research shows that prices for housing units close to efficient and comfortable transport services attract a premium once the transport is delivered. The range is
15 typically between 3% and 10% dependent on the actual distance to the halt and the value spread of the units. For 50 homes made up of 3 storey executive flats, selling at £250,000 each, this means that the value up-lift for each unit is between £7,500 and £25,000. If the flats
20 back onto the track, the lower range is likely to be just above 3% but the higher range will be at around 6.5%. However, if the flats do not back onto the track and are at a convenient distance therefrom, the lower range is likely to be just above 6.5% and the higher range may be
25 10%. In any case the up-lift value for the fifty units

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may be in the range £375,000 and £1,250,000. By contributing a percentage of this up-lift developers can assist with the funding of the transport link to the mutual benefit of themselves and the local community.

5 Similar calculations can be done to determine the up-lift in rental yields for properties near the proposed new transport link. In the case of South London offices after the Jubilee Line was introduced, rents rose from £10 per sq ft to £25 per sq ft in the space of four
10 years. Similarly, yields at the time moved from 10% to 7½%. Of course, care must be taken when analysing these up-lifts that the changing market conditions and economic factors are adjusted for accordingly.

As a specific example of how rental rates could be
15 affected, a speculative development of a 50,000 sq ft office building which attracts a rent of £18 per sq ft and a yield of 8½% in the absence of the new transport link, could instead benefit from a rent of £20 per sq ft and a yield of 7% with transport in place. The value
20 without the transport link would be £10.58m, but with it would be £14.28m. This means that the difference, i.e. the up-lift, is £3.7m. This difference could be divided between the property owner or developer and the body trying to set-up the link. For example, 50% could be
25 donated to the transport fund by the developer or owner

when the transport starts. A similar approach could be taken to the value of, for example, a Shopping Centre, assuming that the new transport line is close enough to make a difference.

As well as estimating the up-lift on existing properties, it is envisaged that development opportunities, when acquired subject to planning, could be financially analysed by carrying out a residual valuation. This also applies to land where no planning exists but a formula can be introduced, should circumstances change. The principal considerations for areas having development potential are the land value, say £1.40m; fees and interest for one year, say £0.15m; construction costs, say £3.2m for 40 homes; fees for professional team, say set at 12%, so about £0.38m; interest and contingencies say about 10%, i.e. £0.36m; the developers return of, say 20%, so about £1.10m, and agency sale costs and advertising, which may be about 2%, so say £0.15m. This results in a total cost of £6.74m.

Without the transport link the estimated cost of each unit would be £170,000, with a return of £1.1m for the developer. However, with the transport link the 40 units would sell at £187,000. This represents an up-lift of about £680,000 that can be split equally between developer and transport provider. In this way, the

developer can enjoy an additional £340,000 for no extra effort or risk, and the transport initiative can receive additional external funding.

As well as property developers, local companies may gain financially from the provision of a transport initiative because of savings that may arise. Research reveals that where there are no transport links, many companies have to provide company cars or other options to help staff to get to work. These issues carry with them additional associated costs, such as for car parking, insurance and many other associated outlays where no transport links are available. When alternative transport is introduced, savings can be made. These can be calculated and an estimate made of the value, the figure being divided in a pre-determined manner, for example halved, to arrive at a contribution. As a specific example, it has been calculated that a saving of £4,000 would be achieved for an average car. This could be split equally between parties. Similarly, the attitude to travelling to work, the time saved and improvement to quality of life, whilst difficult to calculate accurately, can be broadly assessed. On work hours saved due to improved transport arrangements, the range is estimated at 1-2 hours per week. At £8 per hour for 52 weeks for 2 years the overall saving can be estimated to

be £6,656 per employee. The employer should enjoy the majority of the bonus. The agreed contribution could be for example 25%, say £1500. In this way for each car that is taken off the road, an employer could contribute up to £3,500 as a one off payment.

Once the initial report is drawn up, with its various estimates of the value up-lift provided by the transport initiative and a rough estimate of the amount that could be raised, the second stage is to secure the land uplift for the project, assuming that an appropriate funding vehicle has been found. The steps taken in the second stage are shown in Figure 2. This stage involves the transport procurer appointing an Agent. This may be the same Agent who prepared the initial report. The Agent is charged with the task of raising funds from landowners or property developers. The Agent is likely to be appointed on a 100% success fee basis. Typically, this success fee is based on an agreed percentage of the money raised.

The Agent sets up a protected transport fund, which can only be accessed by the Agent and the transport procurer. The Agent then enters into confidential negotiations with each relevant landowner and/or potential developer or indeed anyone within the area effected by the transport, who stands to gain financially

as a result of the transport initiative and seeks to reach an agreement on the level of contribution to be paid into the protected fund. This agreement takes the form of a legal document, which for land or property 5 deals may optionally be built into the title of the land or property. Typically this is a bespoke agreement depending on the status of, for example, the land or buildings. The agreed contribution is paid when the landowner/developer either gains outline planning consent 10 for the proposed development or the asset has increased in value and there is a legally secure commitment to construct the transport facility. If no transport is delivered then the money will automatically be returned.

Where appropriate, the landowner / developer 15 independently applies for planning consent for the development associated with their land or project. As each application for planning permission is granted, providing the legal agreement for the transport facility is in place, the landowner/developer pays the agreed contribution into the protected fund. The key to 20 maximising the capture of the uplift is to ensure each landowner/developer receives a fair return. The Agent receives the agreed percentage of money raised as each contribution is paid. The Agent's role ends once all 25 contributions have been received. In this way, Local

Authorities can feedback some of the financial benefit provided by enhanced transport capabilities into the fund for financing those capabilities.

An advantage of the methodology in which the invention is embodied is that it is separate from the planning permission process. Each landowner/developer applies independently for his/her individual planning consents. In addition, the methodology is led by the initiative that is to be funded, i.e. the sole reason is to deliver that project, for example a transport initiative, not individual developments. It uses sustainable development around the transport facility to help fund the capital and potentially some of the operational costs of the transport facility. The fact that additional patronage comes from the surrounding development, increasing the revenue stream, is an added bonus. The methodology also addresses the issue of multiple ownership.

A further advantage of the invention is that no direct payment is needed from any party in order to maintain its impartiality. The Agent's fee comes from an agreed percentage of the land value uplift captured for the project. This means that there is no downside for either the public or private sector. The public sector does not pay any professional fees up front and the

private sector does not have to pay a contribution until planning consent is received and there is a legally binding agreement that the transport facility will be built. Each contribution agreement is tied to a legal document built into the title of the land. A further advantage is that the methodology adheres to procurement and best value processes in the UK.

A skilled person will appreciate that variations of the disclosed arrangements are possible without departing from the invention. For example, whilst the invention is described primarily with reference to rail initiatives, it will be appreciated, that it could equally be applied to other types of infrastructure or building initiatives. In addition, although some specific examples of how the up-lift value may be calculated are provided, in practice it may be that a combination of available methods will be used to maximise the funding opportunities. Accordingly, the above description of the specific embodiment is made by way of example only and not for the purposes of limitation. It will be clear to the skilled person that minor modifications may be made without significant changes to the operation described.

Claims

- 5 1. A method for funding infrastructure or building initiatives, such as a transport initiative, the method comprising collecting payments from parties who stand to financially benefit from the initiative and using these payments to part or wholly fund the initiative.
- 10 2. A method as claimed in claim 1 involving assessing a measure of an increase in property value that is created by the provision of the initiative.
- 15 3. A method as claimed in claim 2, wherein the payment collected is a percentage of the assessed increase in value, preferably a pre-determined percentage.
- 20 4. A method as claimed in claim 1 or claim 2 or claim 3 further involving assessing a measure of savings made by the provision of the initiative.
5. A method as claimed in claim 4, wherein the payment collected is a percentage of the assessed savings, preferably a pre-determined percentage.

6. A method as claimed in any of the preceding claims further involving assessing parties that may be interested in providing funds and entering confidential negotiations with those parties.

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7. A method as claimed in any of the preceding claims further involving applying for or granting planning permission to build or re-build property in a property up-lift area.

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8. A method as claimed in claim 7, wherein the property up-lift area is a pre-defined or designated area in a vicinity of the proposed new initiative.

15

9. A method as claimed in any of the preceding claims, wherein the step of collecting money is done after planning permission is granted to a property developer and the initiative is committed.

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10. A method as claimed in any of the preceding claims wherein the parties that stand to gain financially include landowners and/or developers and/or companies.

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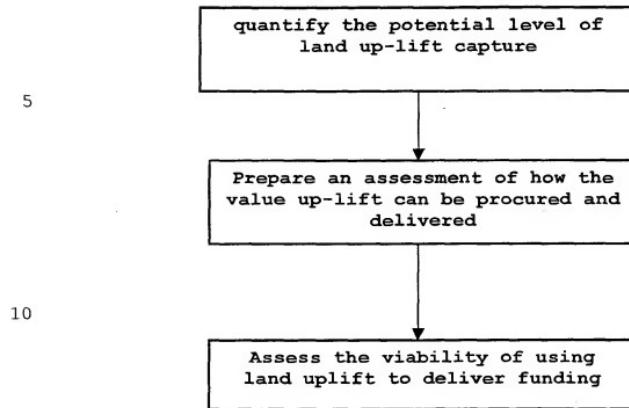


Figure 1

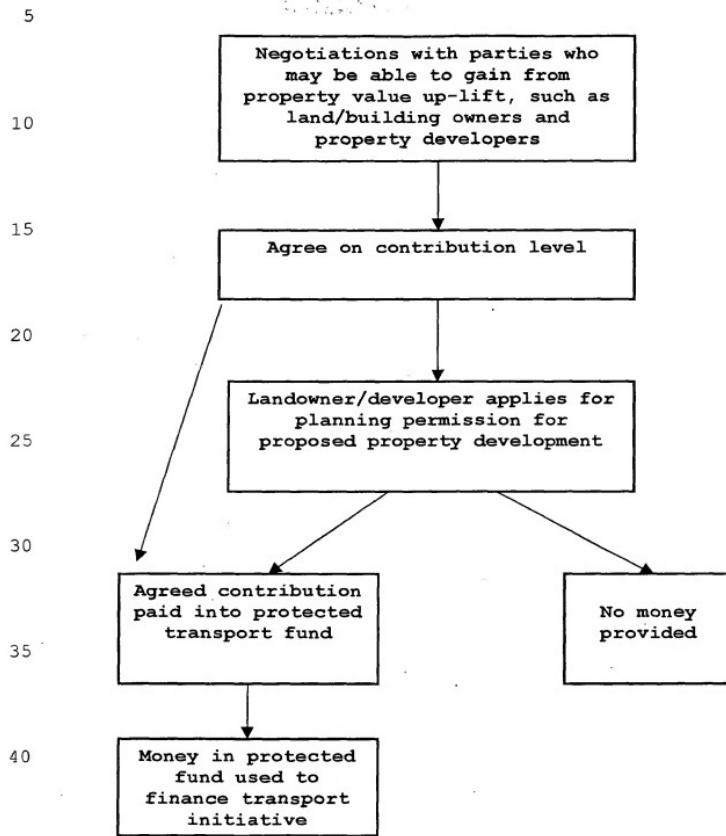


Figure 2